

MARIN CLEAN ENERGY

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**BOARD MEETING MINUTES
THURSDAY, February 5, 2015**

7:00 P.M.

**SAN RAFAEL CORPORATE CENTER, TAMALPAIS ROOM
750 LINDARO STREET, SAN RAFAEL, CA 94901**

Roll Call: Chair Sears called the regular Board meeting to order at 7:06 p.m. An established quorum was met.

Present: Denise Athas, City of Novato
Sloan Bailey, Town of Corte Madera
Tom Butt, Vice Chair, City of Richmond
Barbara Coler, Town of Fairfax
Rich Kinney (Alternate to Genoveva Calloway) City of San Pablo
Kevin Haroff, City of Larkspur
Garry Lion, City of Mill Valley
Bob McCaskill, City of Belvedere
Andrew McCullough, City of San Rafael
Emmett O'Donnell, Town of Tiburon
Alan Schwartzman, City of Benicia
Carla Small, Town of Ross
Brad Wagenknecht, County of Napa
Ray Withy, City of Sausalito
Kate Sears, Chair, County of Marin

Also Present: Christina Strawbridge, Alternate to Alan Schwartzman, City of Benicia

Absent: Ford Greene, Town of San Anselmo

Staff: Dawn Weisz, Executive Officer
Jamie Tuckey, Communications Director
Greg Brehm, Director of Power Resources
Michael Maher, Maher Accountancy
Kirby Dusel, Technical Consultant
Brian Goldstein, Technical Consultant
Jennifer Dowdell, Interim Deputy Director
Emily Goodwin, Director of Internal Operations
Darlene Jackson, Clerk

1. Swearing in of New MCE Board Members

Ms. Weisz gave the Oath of Office to new MCE Board Members Barbara Coler, Town of Fairfax; Andrew McCullough, City of San Rafael; and Alan Schwartzman, City of Benicia, and introductions followed.

2. Board Announcements (Discussion):

There were no Board member announcements.

3. Public Open Time (Discussion):

There were no public speakers.

4. Report from Executive Officer (Discussion)

Dawn Weisz, Executive Officer, gave the following report:

- A slight adjustment has been made based on feedback from the Executive Committee. Staff is moving some updates from the policy agenda to the Executive Officer's Report which allows for streamlining of the meeting.
- MCE has received CPUC certification to approve the addition of the City of El Cerrito in MCE's Implementation Plan. Designation of El Cerrito's Board Member should occur within the next week and the chosen representative will be sworn in at the March Board Meeting.
- MCE has received the Better Business Bureau's certificate, affirming MCE as a 2015 Accredited Business.
- MCE is preparing to move to a new location in early March and the building is undergoing substantial renovations. She introduced Emily Goodwin, Director of Internal Operations who provided a brief PowerPoint presentation and update regarding the new office space at 700 Fifth Avenue, San Rafael.
- She welcomed and introduced Jennifer Dowdell, Interim Deputy Director who joined the MCE team last month, and briefly described Ms. Dowdell's professional background.

5. Consent Calendar (Discussion/Action):

C.1 12.4.14 Board Minutes

C.2 Approved Contracts Update

C.3 2nd Addendum to 3rd Agreement with Ellison Schneider & Harris

C.4 1st Agreement with Corporate Media Systems, Inc.

C.5 2nd Addendum to 2nd Agreement with Troutman Sanders

Board Members Athas, Small, Wagenknecht and Withy indicated their abstentions on Item C.1; the 12.4.14 Board Minutes.

ACTION: It was M/S/C (Wagenknecht/Lion) to approve the Consent Calendar consisting of Items C.1 through C.5. Motion carried by the following roll call votes: (14-0-1) Ayes: Athas (abstain on C.1) Bailey, Butt, Calloway, Haroff, Lion, McCaskill, McCullough, O'Donnell, and Small (abstain on C.1), Schwartzman, Wagenknecht (abstain on C.1), Withy (abstain on C.1), and Sears; Noes: None; Absent: Greene.

6. Resolution 2014-09 Honoring Board Member Lawrence W. Bragman (Discussion/Action)

ACTION: It was M/S/C (Coler/McCaskill) to adopt Resolution 2015-01 Honoring Board Member Lawrence W. Bragman. Motion carried by the following roll call votes: (14-0-1) Ayes: Athas, Bailey, Butt, Calloway, Haroff, Lion, McCaskill, McCullough, O'Donnell, Small, Schwartzman, Wagenknecht, Withy, and Sears; Noes: None; Absent: Greene.

7. Budget

Executive Officer Dawn Weisz provided introductory comments for the benefit of new Board Members regarding the three sub-sections of the Budget item. She said for Item A, staff includes a monthly budget update in the packet which represents unaudited financials for the last complete month. Item B is the proposed budget adjustment for the current fiscal year. Item C is the proposed budget for the new fiscal year beginning April 1, 2015. She introduced Mr. Maher to begin discussion of Item B.

- a. Monthly Budget Update (Included in Board packet)
- b. Budget Adjustment for FY 2014/15 (Discussion/Action)

Michael Maher, Maher Accountancy, noted that the end of the fiscal year is March 31, 2015 and staff makes appropriate budget adjustments from what was planned in the beginning of the year. He provided an explanation and addressed brief questions of Board Members regarding proposed adjustments in electricity sales, the consideration from the lease termination, costs of energy, personnel, technical consultants, legal counsel, data management, PG&E service fees, other services, general and administration and capital outlay.

ACTION: It was M/S/C (Athas/Haroff) to approve the proposed budget amendment for FY 2014/15 ending March 31, 2015. Motion carried by the following roll call votes: (14-0-1) Ayes: Athas, Bailey, Butt, Calloway, Haroff, Lion, McCaskill, McCullough, O'Donnell, Small, Schwartzman, Wagenknecht, Withy, and Sears; Noes: None; Absent: Greene.

- c. Proposed Budget for FY 2015/16 (Discussion/Action)

Mr. Maher provided an overview of MCE's proposed Budget for FY 2015/16, noting that the same accounts and line items remain with greater volumes in dollars. He discussed major items contained in the budget which reveals a 47% increase in revenue, which is mostly due to the expansion into Napa, El Cerrito, San Pablo and Benicia, as well as proposed rate changes. Associated with this is the cost of energy, personnel, technical consultants, data management, other services and PG&E service fees. The budget calls for decreases in legal counsel, and commented that MCE will separate occupancy costs which include lease payments, utilities and maintenance costs.

He referred to inter-fund transfers and noted that MCE is creating a new fund to set aside renewable energy reserve monies to be used for unplanned and attractive renewable purchases and construction items which may arise in the future. He provided an overview of three new funds; the Energy Efficiency Program Fund, the Local Renewable Energy Development Fund and the Renewable Energy Fund and commented that the Local Renewable Energy Development Fund is financed by 50% of the premium from the deep green customer sales which funds their current solar development project, at the Chevron site.

Board Member Withy asked for discussion on MCE's total reserves. Mr. Maher explained that from an accounting standpoint, MCE has no restricted funds except reserves for the Energy Efficiency Program and debt service. He said reserve funds total approximately \$9 to \$10 million. Board Member Withy asked and confirmed with Mr. Maher that MCE targets approximately 3% a year as their reserve level which partly serves as a rate stability fund. Funds can be used to address cash flow when there is a need to purchase energy, given receivables may take longer.

Board Member Withy asked if a reserve level should be set. Ms. Weisz said the Board discussed this when MCE first formed. A recommendation of 3% was made which staff believed would maintain a conservative accrual of revenue. Chairs Sears pointed to the fact that MCE also has a line of credit in addition to reserves.

In response to questions regarding how reserves are invested, Board Members briefly discussed investment of reserves. Ms. Weisz commented that during this year MCE would need some liquidity because we are covering working capital needs for enrollment of communities. In the past, MCE has taken out loans to cover this. MCE wants to be sure the dollars are not tied up during expansion; however, the Finance Committee will be looking at opportunities to invest in the future.

Board Members confirmed that the cost of living increase is calculated per federal and regional index levels, and is budgeted at approximately 2.8%.

Board Member Withy suggested having the reserve levels broken out as to what they are used for and identify those restricted versus unrestricted. He also suggested development of an investment policy to address excess funds to be invested. Ms. Weisz said staff is happy to provide more information as requested and make adjustments. She noted that the Monthly Budget Update includes a breakdown of the subset of each line item detail on current reserves, debt service, and all expenditures in the budget. A Board Member questioned funds for internships, and confirmed with Ms. Weisz that staff funds are available for a Summer Youth Internship which can extend to member cities to assist in advancing MCE's cause.

ACTION: It was M/S/C (Lion/Coler) to approve the Proposed Budget for FY 2015/16. Motion carried by the following roll call votes: (14-0-1) Ayes: Athas, Bailey, Butt, Calloway, Haroff, Lion,

McCaskill, McCullough, O'Donnell, Small, Schwartzman, Wagenknecht, Withy, and Sears; Noes: None; Absent: Greene.

8. Proposed Rates for FY 2015/16 (Discussion/Action)

Kirby Dusel, Technical Consultant, presenting on behalf of John Dalessi, gave an overview of the staff report. He said rate setting is carried out on an annual basis. In January, MCE reviews rates and related sales forecasts to determine whether rate changes are needed in consideration of the upcoming revenue requirement. There is a 30-day public review period which kicks off with initial distribution of the Board packet. Board approval is requested in March and rates would be put into effective on April 1st.

As background, Mr. Dusel said PG&E typically changes its rates on January 1st and the recent rate change resulted in a 3.1% overall increase. Depending on the type of customer, the rate change ranges from 2% to 3% just on the generation component. In addition, there have also been various increases in PG&E rates since April 2014 in excess of 12%.

Mr. Dusel discussed key line items in the monthly cost billing for the customer as generation representing the electrical energy commodity delivered to the customer, the Power Charge Indifference Adjustment (PCIA), and franchise fees. When adding all costs, a monthly total is produced for an average residential customer (which is about 500 KWH a month) and there is roughly a 3% savings. Monthly activities show the progression of working through the budgeting process and through prospective rate changes and the initial proposal discussed with staff and the Executive Committee.

Board Members discussed with Mr. Dusel increases in the PCIA which are affected by a low price regime and greater above market costs. Mr. Dusel described the work of MCE's regulatory team to address the issue and represent MCE's interests. He noted changes in overall PCIA methodology resulted in a positive impact dropping the PCIA in 2012.

Board Member Coler asked that deep green options be shown in the future similar to the chart showing the light green options. She also confirmed with Mr. Dusel that 1 cent is added to every KWH purchase by the customer under their rate schedule, or \$5 for every 500 KWH.

Mr. Dusel briefly discussed rate-setting policy considerations which are affected by revenues, competition, stability in rates, ensuring the customers' understanding of rates, and efficiencies in use of energy. He discussed key tasks completed in working through the rate setting cycle, presented MCE's customer composition, considerations driving necessary changes, and stated despite the rate increase, customers will still be better off taking service from MCE than from PG&E in terms of cost comparisons. Mr. Dusel indicated there are rate savings across all customer groups within the MCE service territory, and staff will continue to work on the PCIA which could provide further savings.

Mr. Dusel concluded with a slide of the new agricultural rate schedules which have been developed to accommodate customers within Napa County, and asked that the Board additionally consider approving these.

Board Member O'Donnell asked for comment about why larger commercial customers are receiving a greater amount of savings with PG&E versus residential customers. Mr. Dusel said this has to do with falling costs of service and these customers actually help other customer groups on the residential side. Ms. Weisz added that because there are many residential customers and any small download adjustment would have a significant impact on revenues, but would not create enough of a significant savings for the customer.

Board Member Lion asked how the demand charge works for commercial and agricultural customers. Mr. Dusel said the charge is meant to offset the cost of providing standby generation for customers. It is one instance of a high point during the billing period.

A Board Member said given PG&E's recent disclosure where they will most likely offer deep green, he asked if this has factored into strategic thinking on rate setting now, and he asked what that competitive rate will be moving forward. Mr. Dusel said the initial information is targeting a 2-3 cent premium for a solar project built somewhere within PG&E's service territory. A difference is that MCE's Local Sol Program is committing to a fixed rate for an extended period of time (20 years) and also the customer is paying for power in their own community.

Chair Sears suggested a motion and Ms. Weisz pointed out that staff's recommendation also includes approval of Napa agricultural rates in the supplemental schedule.

ACTION: It was M/S/C (Wagenknecht/McCaskill) to approve the proposed rates for FY 2015/16 in Attachment A, subject to final approval to the rates in March, as well as the 5 agricultural rate schedules for Napa County, effective immediately. Motion carried by the following roll call votes: (14-0-1) Ayes: Athas, Bailey, Butt, Calloway, Haroff, Lion, McCaskill, McCullough, O'Donnell, Small, Schwartzman, Wagenknecht, Withy, and Sears; Noes: None; Absent: Greene.

9. Communications Update (Discussion)

Communications Director Jamie Tuckey provided the following update:

- Regarding the process for rate notification:
 - Proposed rates will be communicated to the general public in MCE service areas.
 - In addition to newspaper noticing, MCE will also inform customers of the proposed rate increase through direct messaging. Richmond and Marin customers will receive a message on the MCE portion of their PG&E bill about the proposed rates.
 - Unincorporated Napa County customers will not be getting the notice on their bills because of the timeline for enrollment in Napa. Instead, a message about

the proposed rates will be included on the fourth enrollment notice being mailed out in February.

- Highlights regarding community outreach:
 - MCE staff is focusing outreach efforts in new MCE service areas including Napa County, Benicia, El Cerrito and San Pablo.
 - Staff has been busy reaching out to all community organizations and is in the process of sending letters, making phone calls and sending emails to every organization in the community outreach plans.
 - Staff have participated in dozens of meetings and had their first MCE-hosted general community meeting in the City of Napa.
 - Also included in the staff report are the outreach plans for Benicia, El Cerrito and San Pablo.
 - The enrollment for Benicia, San Pablo and El Cerrito is scheduled for this May and they are also sending out enrollment notices to those customers.
 - At least one enrollment notice is mailed out every week between February and March.
 - Staff is also soliciting feedback from the new member community Councilmembers and staff on outreach plans.
 - Staff will be creating community leader advisory groups for each community to assist with community outreach.
 - MCE staff will be working in City offices in the three communities on the dates of the first mailing of notices to support customer inquiries.
 - Advertising campaigns have begun in San Pablo and they will begin in El Cerrito and Benicia over the next couple of weeks.

Board Member Coler commented that BAAQMD augmented staff with www.language.com which can provide an inexpensive option to provide up to 180 different languages to support the call center.

10. Board Member & Staff Matters (Discussion)

Director McCaskill confirmed that MCE does not yet have a written investment policy and the Board suggested the Finance Committee consider its development.

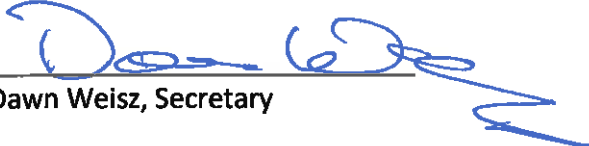
11. Adjournment:

The Board of Directors adjourned the meeting at 9:02 p.m. to the next regular Board meeting on March 5, 2015.



Kate Sears, Chair

Attest:



Dawn Weisz, Secretary

APPROVED

MAR 05 2015

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